Ontario Northland
TRANSPORTATION COMMISSION

Annual Report 1980

ALEC McCAULEY '81

PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Premier

Honourable Leo Bernier, Minister
Ministry of Northern Affairs

COVER THEME

The 1979 annual report depicted the four dimensions of the north – agriculture, mining, forestry and tourism.

This year, the four seasons are depicted.

The front cover, entitled "The Paddler" depicts summer, followed by "Autumn Flight" of the Canada Goose – the "Bears Cave" in the freeze of winter is followed by "The First Hunt" in spring.

The artist, Alec McCauley, was born in 1955 and is a native of Moosonee. He works in the Weneebaykook Studio.

His art has progressed from realistic to symbolic interpretations of swampy Cree life and stories of his people.

80th ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ending
December 31, 1980

ONTARIO

MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:
I beg leave to present the 80th annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1980.

Respectfully submitted,

Leo Bernier,
Minister.

June 1, 1981

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier,
Minister of Northern Affairs,
Parliament Buildings,
Toronto, Ontario.

Sir:
I beg to submit the Annual Report for the year 1980 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

W. J. Mathews,
Chairman.

May 25, 1981

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

W. J. Mathews, Chairman, Cobalt
P. A. Burns, Commissioner, Dryden
G. E. Carr, Commissioner, North Bay . . . retired August 6, 1980
L. A. Foucault, Commissioner, Espanola . . . appointed May 21, 1980
I. W. Hollingsworth, Commissioner, Sault Ste. Marie
N. M. Karam, Commissioner, Cochrane . . . appointed May 7, 1980
R. L. Piche, Commissioner, Kapuskasing . . . retired April 18, 1980
J. W. Spooner, Commissioner, Timmins

PRINCIPAL OFFICERS
R. O. Beatty, General Manager
W. H. Hohn, Assistant General Manager
D. E. MacDougall, Comptroller and Senior Financial Officer
K. J. Moorehead, Senior Operating Officer – Rail
P. A. Dyment, Senior Director, Telecommunications, Marketing and Administration
K. J. Wallace, Senior Director, Passenger Services and Planning
L. K. Smiley, Senior Director, Special Projects
M. C. Hicks, Senior Director, Freight Marketing

REPORT OF THE GENERAL MANAGER

Mr. W. J. Mathews
Chairman

North Bay, Ontario
May 8, 1981

The following report of Ontario Northland Transportation Commission operations which ended December 31, 1980 is respectfully submitted:

Consolidated Net Income

	1980	1979	Increase (Decrease)
	$	$	$
Commercial Operations:			
Rail Freight	6,099,908	4,060,238	2,039,670
Express	(399,162)	(380,997)	(18,165)
Telecommunications	5,087,733	3,759,260	1,328,473
Bus	(192,060)	(168,487)	(23,573)
Transport (Star Transfer)	(424,221)	(223,539)	(200,682)
Lake Nipissing Marine	(107,366)	(104,531)	(2,835)
Hotel and Camp	21,046	(117,944)	138,990
Non-Commercial Operations:			
Rail Passenger	1,538,000	139,052	1,398,948
norOntair	–	–	–
Owen Sound Marine	–	–	–
Remote North Projects	–	–	–
Moosonee Ferry Service	–	–	–
Net Income Before Interest on Debt	11,623,878	6,963,052	4,660,826
Less: Net Interest on Debt	2,309,330	3,136,329	(826,999)
Extraordinary Items	684,929	133,050	551,879
Net Income for the Year	8,629,619	3,693,673	4,935,946

General

The Commission's operations for the year 1980 generated a net income of $8,629,619, compared to $3,693,673 in 1979.

Our freight revenue increased significantly over the previous year, due mainly to some unexpected interchange of traffic received from another carrier and rather significant increased freight carryings in several other product lines; it is not expected that there will be a repetition of similar movements in 1981.

Our Telecommunications Division also performed better than anticipated, making an important contribution to the improved results.

Star Transfer Limited, as did most trucking firms in Ontario, finished the year in a less favourable position than in 1979, and forecasted estimates for 1981 are not optimistic.

Express Services, while indicating some operational improvements, finished the year in a loss position, and the forecast is for a steady long-term financial worsening.

In total, commercial operations, with the exception of Star Transfer Limited and Express Services, performed well.

Capital spending in 1980 was $12.6 million: $5.6 million was spent for the acquisition of 100 new boxcars; $2.6 million on rail, ties and facilities maintenance; $2.6 million on telecommunications expansion; and $1.1 million on norOntair.

While we are forecasting increased freight revenues for the year 1981, I must emphasize that we are heavily dependent on forest and mining products, both for domestic and export movements, and any slowdown in either of these industries will create significant downward pressure on the 1981 forecast.

In order to make principal debt payments to the province of approximately $2 million per year beginning in the year 1985, a sinking fund has been established. This fund currently is sufficient to meet our obligations for the first two years of repayment.

A more detailed review of the Commission's operations is attached.

R. O. Beatty,
General Manager.

REVIEW OF OPERATIONS

RAIL SERVICES

In 1979 a program was undertaken to replace the original European locomotives on the four Northlander trainsets with modified North American locomotives in order to reduce maintenance costs and improve service reliability. All work involved in rebuilding, rewiring and modifying the locomotives for Northlander service was performed in our North Bay facilities. The units were completed and placed in service in mid-1980, on schedule and within budgeted cost estimates.

In addition to providing a more reliable train service, the utilization of this equipment resulted in a 40% overall reduction in Northlander locomotive operating costs.

The program instituted for the rebuilding of the older portion of the locomotive fleet continued during the year, resulting in three additional units being returned to service in as-new condition; in addition, three later model heavy-duty freight locomotives were completely overhauled.

An agreement was entered into with GO Transit in late 1980 to repaint a number of their locomotives in our North Bay facility. Six units were completed by the end of the year, and it is our intention to seek out additional contract work of this nature.

Our Maintenance of Way Department installed six miles of new rail, replacing worn curve rail, distributed an additional 45,000 tons of crushed rock ballast over various parts of the railway system and replaced some 29,000 ties.

As a part of the continuing structure upgrading program, a new Yard Office was erected at North Bay, employee dwellings were upgraded at various system points and an arrangement was entered into for the leasing of a new train crew bunkhouse at Cochrane. In addition, our forces completely renovated a North Bay office building which houses the Mechanical, Purchasing and Bus departments.

As in previous years, the major thrust of the Facilities Maintenance Division was directed towards the inspection, as well as the repair and maintenance of track structures and associated buildings. This day-to-day effort ensures that our operations can be conducted safely and in an efficient manner.

Our Rail Transportation Department continued its efforts to improve train operating efficiencies, largely by consolidating trains wherever possible and taking advantage of the reduced freight crew requirements.

1980 was the first full year of operation for our computerized Car Service accounting system. The system is working well and has resulted in substantial savings.

During the year, 100 new boxcars were purchased and introduced into Ontario Northland's newsprint service, and an additional 75 boxcars were leased and are being utilized for shipments of mining products. These additions to the rolling stock fleet are contributing very effectively to financial performance.

TELECOMMUNICATIONS

Long distance calls in Northeastern On-

tario continued the steady growth which has been enjoyed for a number of years. The volume of traffic handled in 1980 increased by 9% over the previous year.

In mid-year, long distance rates were increased to match those put into effect in the remainder of the province. This, coupled with the growth factor, resulted in long distance revenues increasing by 13% over 1979. Revenue from other forms of long distance service, such as telex and private telecommunications service remained at the 1979 levels, except for computer-related data service which increased substantially, brought about by a heavy demand for connections from Northeastern Ontario branch offices to southern head office computers.

The effect of cost-reducing projects, primarily the computerized switchboard operations implemented in 1979, had the desirable effect of keeping expenses well in line, in spite of offsetting inflationary forces during the past year.

To keep abreast of the industry, the Telecommunications Division is constantly expanding, modifying and changing its plans for technological, volume and financial reasons. During the year, various plant equipment was changed out or expanded. One significant project was the replacement of the dial exchange at Temagami with new computer-controlled apparatus with virtually unlimited expansion capability. In addition, new microwave services were implemented to serve the towns of Matheson and Temagami, and Ontario Northland's capability to handle long distance message traffic and telex calling was significantly expanded.

MARKETING

Carload freight marketing efforts directed towards increasing sales and achieving a better price-cost relationship in rates were intensified during 1980. A 20% increase in revenue over the previous year can be attributed to both additional tonnage and increased freight rates.

During the year, carloads handled increased by 4.7% over 1979, and 6 million tons of freight were carried, for a 6.5% increase in tonnage. Approximately 90% of Ontario Northland's carload traffic is generated from two natural resources, mining and forest products. In 1980, forest product traffic reduced slightly, primarily due to housing start reductions, however, mining products more than made up for the slippage, including additional shipments of iron pellets, zinc, lead and sulphuric acid.

The demand for petroleum products, which represents 8% of the total volume of traffic handled by Ontario Northland, continued to increase, and this factor, coupled with more favourable shipping patterns, brought about a 10% tonnage increase in this product line over the past year.

EXPRESS SERVICES

Express Services revenues increased by 4.5%, while the number of shipments handled increased only by 1.5% over the preceding year. The net loss for the year was significantly less than in 1979, primarily due to the introduction of several load pattern changes which made it possible to operate fewer highway runs with only minor effects on service.

AIR & MARINE SERVICES

norOntair

The airline experienced a growth of 8%, carrying a total of 118,500 passengers. With the addition of Cochrane in late 1980, the communities served by norOntair now number 21. These communities also have access to direct small package air service to over 10,000 points throughout Canada and the United States on an interline arrangement with Air Canada.

norOntair's fleet was increased by the delivery of the eighth Twin Otter aircraft, with the ninth scheduled for delivery in 1981.

Two 36-passenger Dash-8 aircraft were placed on order, and it is expected that one will be delivered in late 1984 and the second in early 1985.

The Owen Sound Transportation Company

The M.S. Chi-Cheemaun vehicular traffic was up 1%, while passenger traffic declined slightly, however, overall revenue for the operation improved by 8% over 1979.

Vehicular traffic growth is now restricted during the peak July-August period by the vessel's carrying capacity. In an effort to overcome this operating deficiency, a mezzanine deck will be added at the close of the 1981 season, increasing the capacity by an estimated 25 vehicles, an increase of 20%.

From an operating point of view, the year was satisfactory, service was not impaired by mechanical failure and only two trips were cancelled due to inclement weather.

Chief Commanda II

Although the expectations for the 1980 season were not met due to poor weather and general decline in tourist traffic in the North Bay area, losses were minimized by the implementation of stringent cost-reduction methods.

The 1981 sailing schedule has been reduced and a market study is being conducted in an effort to improve financial performance.

PASSENGER SERVICES, TOURISM AND PUBLIC AFFAIRS

All segments of passenger rail and bus travel suffered a decline in the past year.

The Polar Bear Excursion services experienced a 17% drop in passengers handled; this fall off of traffic is similar to that suffered by other tourist operators in Northeastern Ontario.

The Tourist Experience at Moosonee was improved mainly as a result of the appointment of a Tourist Co-ordinator and tour guides sponsored by the Ministry of Northern Affairs.

Northlander train passenger service was well patronized during the summer months, supported by the introduction of new package tours from Toronto to Moosonee utilizing Ontario Northland rail, marine and bus services.

The Hannah Bay Goose Camp experienced one of its most successful seasons with improvements to the camp providing additional comforts for the hunters.

Bus Operations

Although there is increasing competition in the small parcel market, Bus Parcel Express shipments increased 5%, resulting in 390,000 parcels being handled during the year.

A minor decline was experienced in the number of passengers handled on regular routes, however, this was more than offset by a 25% growth in charter and tour revenues.

Ontario Northland bus operations are now licensed for charters and tours in more than 40 American states and in all Canadian provinces. During the year, the newly-introduced Circle Tours of the Southeastern United States and an Alaskan tour all received good responses.

STAR TRANSFER LIMITED

The net loss incurred by Star Transfer before extraordinary items amounted to $939,000 compared to $705,000 in 1979.

Although revenues for 1980 were 4.3% greater than in the previous year, a 6.6% increase in expenses resulted in an operating loss of $234,000 greater than 1979.

Increased personal customer contacts through marketing efforts resulted in some revenue benefits from less-than-truckload traffic, however, a reduction in truckload traffic of some 11.5% from the previous year more than offset the less-than-truckload gains.

A truck franchise was written off as an extraordinary item in 1980 as the value of that license had been diminishing rapidly due to increased competition in Northeastern Ontario.

The continuing poor financial performance is limiting the company's ability to replace a rapidly-eroding tractor, truck and trailer fleet, and it has been found necessary to enter into short-term trailer leases to ensure availability of equipment.

PERSONNEL AND LABOUR RELATIONS

The committee responsible for the administration of the Employees' Suggestion Plan implemented changes to encourage more employees to participate in submitting suggestions. Promotional programs included special awards and a Suggestion Month. The committee plans to further intensify its efforts to promote this most valuable source of ideas from participating employees.

Staff changes within the Safety Department provided more time for safety reviews, first aid training and safety inspections. While the number of lost-time injuries declined only slightly from 1979, there was significant improvement in the total number of lost-time accidents. The supervisory training program concentrated both on basic management principles and a newly-developed one-day program which stresses the importance of good labour relations.

It should be noted that since the majority of the labour contracts are to be renewed by year-end 1981, the Labour Relations group will face a trying year.

Ontario Northland Transportation Commission

Consolidated Balance Sheet

as at December 31, 1980

Assets	1980	1979
	$	$
Current Assets		
Cash and short term investments	9,853,396	9,129,797
Marketable securities at lower of cost and market	324,525	352,700
Accounts receivable	10,929,909	9,912,605
Materials and supplies (note 1b)	3,934,496	3,328,957
Prepaid expenses	101,647	109,347
	25,143,973	22,833,406
Long Term Investments – at cost		
Government of Canada Bonds (market $3,800,000)	4,052,974	-
Deferred Charges and Other Assets – at cost		
Insurance and other funds (approximate market value $470,400; 1979 – $348,300) (note 1f)	520,626	381,584
Franchises (notes 1c and 2)	297,679	954,433
Deposit (note 1g)	20,000	20,000
Investment in Telesat Canada	150,000	150,000
	988,305	1,506,017
Investment in Property – at cost less accumulated depreciation (schedule 1 and note 1d)	130,253,131	123,878,447
	160,438,383	148,217,870

See accompanying schedules and notes to financial statements.

Approved on behalf of the Commission:

J. W. Spooner, Commissioner

R. O. Beatty, General Manager

Liabilities	1980	1979
	$	$
Current Liabilities		
Accounts payable and accrued charges	18,286,219	14,771,165
Reserves		
Insurance and other funds	520,626	381,584
Long Term Debt		
Note due 2003 (note 6)	37,500,000	37,500,000
Loan from Province of Ontario non-interest bearing	35,207,935	35,207,935
Debenture (note 5)	2,062,500	2,187,500
Obligation under capital lease (note 4)	658,321	771,486
	75,428,756	75,666,921
Province of Ontario Equity		
Contributed surplus	13,922,319	13,747,356
Retained income	52,280,463	43,650,844
	66,202,782	57,398,200
	160,438,383	148,217,870

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1980 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting described in Note 1, applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of The Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs.

Toronto, Ontario
March 27, 1981.

F. N. Scott, F.C.A.,
Provincial Auditor.

Ontario Northland Transportation Commission

Consolidated Statement of Income

for the year ended December 31, 1980

	1980	1979
	$	$
Operating Revenues	78,812,617	67,676,293
Operating Expenditures	83,990,169	74,837,710
LOSS FROM OPERATIONS (Schedules 3 and 4)	5,177,552	7,161,417
Government Reimbursement (schedule 2)	16,801,430	14,124,469
NET INCOME BEFORE INTEREST CHARGES AND EXTRAORDINARY ITEMS	11,623,878	6,963,052
Interest Charges		
Interest on Debenture and Note	3,665,446	3,711,661
Interest Earned on Investments	(1,356,116)	(575,332)
Net Interest Charges	2,309,330	3,136,329
NET INCOME BEFORE EXTRAORDINARY ITEMS	9,314,548	3,826,723
Reduction of Marketable Securities to Market Value	(28,175)	(133,050)
Write-off of Franchises (note 2)	(656,754)	-
NET INCOME FOR THE YEAR	8,629,619	3,693,673

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Consolidated Statement of Retained Income

for the year ended December 31, 1980

	1980	1979
	$	$
Balance, beginning of year	43,650,844	39,957,171
Add net income for the year	8,629,619	3,693,673
Balance, end of year	52,280,463	43,650,844

See accompanying schedules and notes to financial statements.

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1980

	1980	1979
	$	$
Balance, beginning of year	13,747,356	10,825,545
Add: reimbursement of capital expenditures by Province of Ontario		
– Moosonee – Attawapiskat microwave system	-	3,029,596
– Northlander shop extension	-	650,000
– norOntair aircraft and associated equipment	1,120,946	224,018
– Capital expenditures of The Owen Sound Transportation Company, Limited	41,029	-
	14,909,331	14,729,159
Less: – depreciation charges for the year	987,012	908,182
–retirement of norOntair aircraft engine	-	73,621
	987,012	981,803
Balance, end of year	13,922,319	13,747,356

See accompanying schedules and notes to financial statements.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1980

	1980	1979
	$	$
Source of working capital		
Net income for the year before extraordinary items	9,314,548	3,826,723
Add items not requiring an outlay of working capital		
– depreciation expense	4,692,052	3,485,395
– other items (net)	7,026	-
Working capital provided from operations	14,013,626	7,312,118
Proceeds on disposal of property	548,803	2,268,247
Reimbursement of capital expenditures by Province of Ontario	1,161,975	3,903,614
	15,724,404	13,483,979
Use of working capital		
Addition to investment in property	12,587,998	10,510,578
Addition to investment in leased property	14,553	14,824
Purchase of bonds	4,060,000	-
Reduction of debenture	125,000	125,000
Reduction of obligation under capital lease	113,165	189,056
Reduction of marketable securities to market value	28,175	133,050
	16,928,891	10,972,508
Increase (decrease) in working capital	(1,204,487)	2,511,471
Working capital, beginning of year	8,062,241	5,550,770
Working capital, end of year	6,857,754	8,062,241
CHANGES IN WORKING CAPITAL		
Current assets – increase (decrease)		
Cash	723,599	3,315,831
Marketable securities	(28,175)	(133,050)
Accounts receivable	1,017,304	417,351
Materials and supplies	605,539	(730,646)
Prepaid expenses	(7,700)	(23,523)
	2,310,567	2,845,963
Current liabilities – decrease (increase)		
Accounts payable and accrued charges	(3,515,054)	(334,492)
Increase (decrease) in working capital	(1,204,487)	2,511,471

See accompanying schedules and notes to financial statements.

Schedule of Investment in Property

Schedule 1

as at December 31, 1980

	1980	1979
	$	$
Rail — Roadway	79,517,287	77,323,465
— Buildings	13,595,000	13,640,984
— Equipment	32,089,017	25,940,203
Telecommunications	39,605,573	39,873,918
Buses	1,834,255	1,826,777
Boat	927,413	927,413
norOntair aircraft	6,314,295	5,034,330
Remote North power and communications	210,889	210,889
Star Transfer Limited		
— vehicles	4,065,365	4,560,534
— other	5,044,702	5,067,430
The Owen Sound Transportation Company, Limited		
— vessel	8,269,820	8,269,820
— other	172,735	131,706
Gross investment in property	191,646,351	182,807,469
Less accumulated depreciation	64,459,776	60,649,736
Net investment in property	127,186,575	122,157,733
Under construction	3,066,556	1,720,714
	130,253,131	123,878,447

See accompanying schedules and notes to financial statements.

Schedule of Government Reimbursement

Schedule 2

for the year ended December 31, 1980

	1980	1979
	$	$
From Province of Ontario		
Cochrane – Moosonee branch line	5,568,741	3,843,000
Main line passenger train	4,610,043	3,590,000
Northlander	4,020,513	2,372,080
Northlander locomotives modification	829,579	739,291
Remote North power and communications	258,358	325,500
Air services – norOntair	1,425,128	792,150
Moosonee ferry	91,236	61,859
	16,803,598	11,723,880
Less – The Owen Sound Transportation Company, Limited profits	333,579	356,809
Total Provincial reimbursement	16,470,019	11,367,071
From Government of Canada (note 1h)		
Rail passenger – prior years	-	659,314
– 1979	-	373,764
Northlander – 1977	-	117,837
– 1978	-	859,532
– 1979	-	1,396,951
– 1980	331,411	-
Total Federal reimbursement	331,411	3,407,398
Total Government reimbursement	16,801,430	14,774,469
Less – reimbursement applied to Northlander shop extension	-	650,000
Net Government reimbursement	16,801,430	14,124,469

See accompanying schedules and notes to financial statements.

Schedule of Commercial Operations

Schedule 3

for the year ended December 31, 1980

	1980	1979
	$	$
Rail Freight Services		
Revenue	35,365,220	28,918,785
Expenditures	29,265,312	24,858,547
Income from Operations	6,099,908	4,060,238
Express Services		
Revenue	1,184,616	1,301,649
Expenditures	1,583,778	1,682,646
Loss from Operations	(399,162)	(380,997)
Telecommunications (note 1i)		
Revenue	19,388,235	16,498,316
Expenditures	14,300,502	12,739,056
Income from Operations	5,087,733	3,759,260
Bus Services		
Revenue	3,161,279	2,744,436
Expenditures	3,353,339	2,912,923
Loss from Operations	(192,060)	(168,487)
Transport Services		
Revenue	7,616,486	7,164,990
Expenditures	8,040,707	7,388,529
Loss from Operations before Extraordinary Items	(424,221)	(223,539)
Marine Services (North Bay)		
Revenue	203,623	193,544
Expenditures	310,989	298,075
Loss from Operations	(107,366)	(104,531)
Tourist Facilities		
Revenue	109,118	89,521
Expenditures	88,072	207,465
Income (loss) from operations	21,046	(117,944)
Total Commercial Operations		
Operating Revenues	67,028,577	56,911,241
Operating Expenditures	56,942,699	50,087,241
Income from Operations	10,085,878	6,824,000

See accompanying schedules and notes to financial statements.

Schedule of Non-commercial Operations

Schedule 4

for the year ended December 31, 1980

	1980	1979
	$	$
Rail Passenger Services		
Revenue	4,503,309	4,435,534
Expenditures	18,325,596	17,598,251
Loss from Operations	(13,822,287)	(13,162,717)
Government Reimbursement	15,360,287	13,301,769
Net Gain from Operations (note 8)	1,538,000	139,052
Air Services (norOntair)		
Revenue	3,947,286	3,257,637
Expenditures	5,372,414	4,049,787
Loss from Operations	(1,425,128)	(792,150)
Government Reimbursement	1,425,128	792,150
	-	-
Marine Services (Owen Sound)		
Revenue	3,190,502	2,933,561
Expenditures	2,856,923	2,576,752
Income from Operations	333,579	356,809
Returned to Province of Ontario	(333,579)	(356,809)
	-	-
Marine Services (Moosonee)		
Revenue	35,660	49,319
Expenditures	126,896	111,178
Loss from Operations	(91,236)	(61,859)
Government Reimbursement	91,236	61,859
	-	-
Remote North Communications		
Revenue	10,311	9,932
Expenditures	227,109	231,621
Loss from Operations	(216,798)	(221,689)
Government Reimbursement	216,798	221,689
	-	-
Remote North Power		
Revenue	96,972	79,069
Expenditures	138,532	182,880
Loss from Operations	(41,560)	(103,811)
Government Reimbursement	41,560	103,811
	-	-
Total Non-Commercial Operations		
Operating Revenues	11,784,040	10,765,052
Operating Expenditures	27,047,470	24,750,469
Loss from Operations	(15,263,430)	(13,985,417)
Government Reimbursement	16,801,430	14,124,469

See accompanying schedules and notes to financial statements.

Notes to Consolidated Financial Statements

December 31, 1980

1. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Franchises

Franchises consist of the following:

	1980	1979
	$	$
Bus franchise	297,679	297,679
Truck franchise	-	187,760
Excess of cost of investment in subsidiaries over the book value of the underlying net assets at dates of acquisition	-	468,994
	297,679	954,433

(d) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of office furniture and equipment, which is charged to operations in the year of purchase.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

For railway and telecommunication properties, the rates used are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road – main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years
Barges	20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transportation and Communications were transferred to the Commission and The Owen Sound Transportation Company, Limited, respectively during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred by the Ministry together with off-setting credits to Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of certain fixed assets initially purchased by the Commission and The Owen Sound Transportation Company, Limited, are credited to Contributed Surplus. Annual depreciation charges on these fixed assets, including the aircraft and the vessel, are recorded as a reduction to Contributed Surplus.

(e) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

(f) Self-insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage.

(g) Personal injuries

The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workmen's Compensation Board. A deposit of $20,000 is held by the Workmen's Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

(h) Federal reimbursement

Federal Government reimbursement is accounted for on the cash basis. Effective April 1, 1980, reimbursement is made directly to the Ministry of Northern Affairs.

(i) Telecommunications revenue

During 1980 the Commission paid $724,016 (1979 - $1,107,942) to connecting telephone companies for toll adjustments for the years 1974 to 1979 inclusive based on a prorate study. Such adjustments are accounted for on a cash basis.

2. Write-off of Franchises

Franchises written-off consist of:

Truck Franchise – acquired 1967	$187,760
Transport Franchise – acquired 1960	254,356
Marine Franchise – acquired 1973	214,638
	$656,754

3. Contributory Pension Fund

Based on the December 31, 1978 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals $49,681,762. Of this amount $19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of $30,238,655 represents the balance of unfunded liabilities revealed subsequent to January 1, 1965.

The Commission and its subsidiaries are making payments of interest and principal into the fund in accordance with the Regulations under The Pension Benefits Act. These payments have the effect of:

- preventing an increase in the initial unfunded liability;
- liquidating the balance of the unfunded liabilities over a period ending December 31, 1993.

4. Lease Commitments

Under the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease four Trans Europ Express-1 diesel-electric trainsets and major exchange spare components from the Urban Transportation Development Corporation Limited (UTDC). The agreement provides for a net, net lease between the Commission and UTDC for a term of sixty-three months commencing May 4, 1977. Rent paid during the current year was $1,000,000 with the balance payable by the Commission, in advance, in two semiannual payments of $500,000 each.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing $1,113,138 under a twelve month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 1985. Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with 90 days prior notice, terminate the lease at any renewal date.

5. Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Star Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the general credit of the Ontario Northland Transportation Commission. The outstanding amount of the debenture is redeemable by semiannual instalments of $62,500 payable through December 30, 1982 and a final instalment of $1,937,500 payable December 30, 1983. Interest is payable on the unredeemed balance at the rate of 10 per cent per annum payable semiannually.

6. Long Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for $37,500,000 due 2003. Terms of the note require interest to be paid semiannually with annual principal repayments to commence January 5, 1985 at 5.25 per cent of the original principal amount of the note.

The Commission is authorized to borrow up to $1,000,000 from chartered banks for working capital requirements provided such loans are not guaranteed by the Province of Ontario.

7. Contingent Liabilities

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged Breach of Contract. The amount claimed totals approximately $1,300,000. Management is not able to determine the amount of loss, if any, and no provision has been made in the accounts for any possible loss.

8. Net Gain from Non-Commercial Rail Operations

In 1980, the net gain on non-commercial operations ($1,538,000) represents a return of investment of 9.325 per cent on the Commission's assets employed in providing rail passenger service. This is in accordance with the Memorandum of Understanding dated October 9, 1980 between the Commission and the Ministry of Northern Affairs.

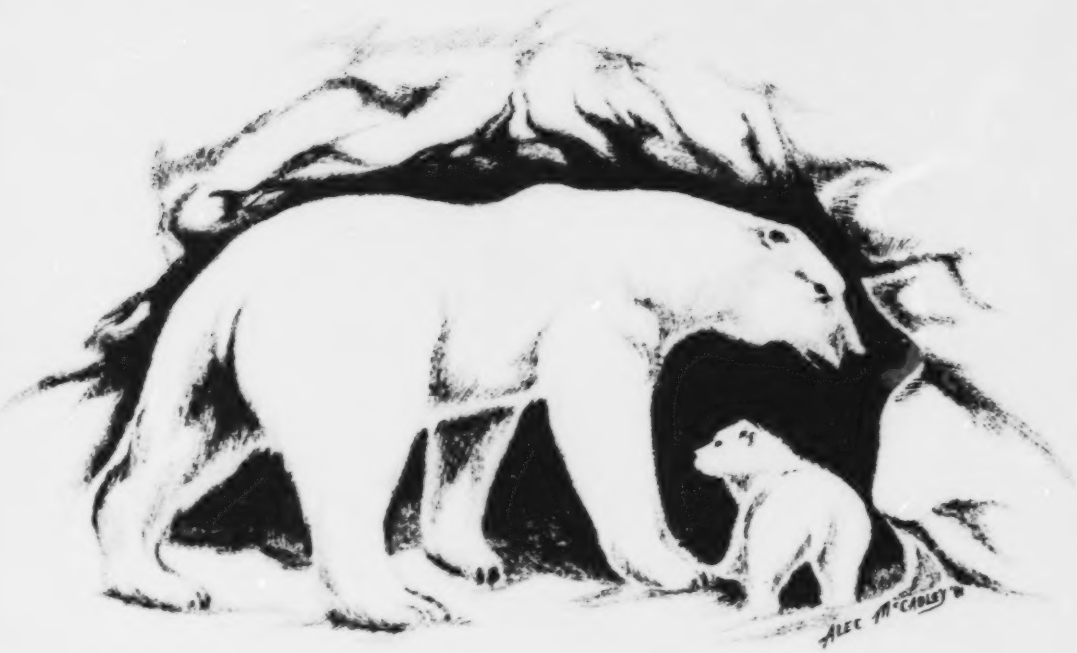
The 1979 net gain ($139,052) represents Government of Canada reimbursements received for prior years operations, less non-commercial operating losses not reimbursed by the Province of Ontario.

9. Star Transfer Limited

The Board of Directors has recommended to the Ministry of Northern Affairs that the Company be sold. The Ministry is presently studying the recommendation and reviewing the possible impact of this action on truck transportation in northeastern Ontario.

10. Comparative Figures

Prior year figures have been reclassified where necessary to conform to the current year's presentation.


ALEC McCAULEY

ALEC McGAWLEY '71

Number/
Numéro

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Ontario Northland

TRANSPORTATION COMMISSION

Annual Report 1981

PROVINCE OF ONTARIO

Honourable William G. Davis, Q.C.
Premier

Honourable Leo Bernier, Minister
Ministry of Northern Affairs

COVER THEME

norOntair took delivery of C-GHRB, their eighth Twin Otter, in April of 1980.

The registration of the aircraft is in memory of HAROLD R. BROOKS, a former Air Services Supervisor, who died tragically on May 6th, 1977.

81st ANNUAL REPORT of the ONTARIO NORTHLAND TRANSPORTATION COMMISSION

for the year ending

December 31, 1981

ONTARIO

MINISTRY OF NORTHERN AFFAIRS

The Honourable John Black Aird
O.C., Q.C., B.A., L.L.D.
Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I beg leave to present the 81st annual report of the Ontario Northland Transportation Commission for the year ending December 31, 1981.

Respectfully submitted,

Leo Bernier,
Minister.

June 2, 1982

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Honourable Leo Bernier,
Minister of Northern Affairs,
Parliament Buildings,
Toronto, Ontario.

Sir:

I beg to submit the Annual Report for the year 1981 of the Ontario Northland Transportation Commission, and I have the honour to be, Sir,

Yours faithfully,

W. J. Mathews,
Chairman.

May 26, 1982

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

W. J. Mathews, Chairman, Cobalt

P. A. Burns, Commissioner, Dryden

N. G. Forth, Commissioner, North Bay . . . appointed June 18, 1981

L. A. Foucault, Commissioner, Espanola

I. W. Hollingsworth, Commissioner, Sault Ste. Marie . . . retired April 18, 1981

N. M. Karam, Commissioner, Cochrane

J. W. Spooner, Commissioner, Timmins

M. R. Wright, Commissioner, Sault Ste. Marie . . . appointed June 18, 1981

PRINCIPAL OFFICERS

R. O. Beatty, General Manager

D. E. MacDougall, Comptroller and Senior Financial Officer

K. J. Moorehead, Senior Operating Officer — Rail

P. A. Dyment, Senior Director, Telecommunications, Marketing and Administration

K. J. Wallace, Senior Director, Passenger Services and Planning

L. K. Smiley, Senior Director, Special Projects

M. C. Hicks, Senior Director, Freight Marketing

REPORT OF THE GENERAL MANAGER

Mr. W. J. Mathews
Chairman

North Bay, Ontario
May 7, 1982

The following report of Ontario Northland Transportation Commission operations, year ending December 31, 1981, is respectfully submitted.

Consolidated Net Income

	1981	1980	Increase (Decrease)
	$	$	$
Commercial Operations:			
Rail Freight	8,199,653	6,099,908	2,099,745
Express	(378,758)	(399,162)	20,404
Telecommunications	6,710,600	5,087,733	1,622,867
Bus	192,751	(192,060)	384,811
Transport (Star Transfer)	(280,407)	(424,221)	143,814
Lake Nipissing Marine	(100,382)	(107,366)	6,984
Hannah Bay Camp	23,981	21,046	2,935
Non-Commercial Operations:			
Rail Passenger	2,749,150	1,538,000	1,211,150
norOntair	—	—	—
Owen Sound Marine	—	—	—
Remote North Projects	—	—	—
Moosonee Ferry Service	—	—	—
Net Income Before Interest on Debt	17,116,588	11,623,878	5,492,710
Less: Net Interest on Debt	1,113,180	2,309,330	(1,196,150)
Extraordinary Items	51,695	684,929	(633,234)
Net Income for the Year	15,951,713	8,629,619	7,322,094

General

The Commission's net revenue position for the year 1981 reflects a substantial improvement over the previous year, in spite of a slowdown in the state of our national economy.

Our rail freight revenues increased during the current year, mainly due to our further success in obtaining substantial interchange traffic from other carriers, the balance of the freight movements remaining fairly constant.

The Telecommunications Division increased calling volumes enhanced the division's contribution to the Commission revenues significantly, and continuing growth in this division is anticipated in future years.

Star Transfer Limited encountered further operating difficulties in the current year, and increasing competition and a troubled economy indicates a gloomy forecast for this division.

We have taken some decisive action in the Express Services operation; and it is anticipated that barring a deepening economic recession that this operation will exhibit an improvement in 1982-83.

The Bus operations were subjected to a considerable internal operating scrutiny and are now contributing to the Commission's financial health.

As funds have become more readily available, due to the betterment of our net revenue position, we have steadily increased our capital spending to ensure a sound, modern plant.

We are continuing our practice of contributing to the Sinking Fund which was established in 1980 to repay our debt to the Province and which currently has sufficient reserves to meet the first five-year-repayment term on the debt.

We have forecast little improvement in net revenue position for the year 1982 as compared to 1981 due to economic instability, and would emphasize again that because of our rail freight dependency on forest and mining products, even that goal might be difficult to attain without some extraordinary income.

A more detailed review of the Commission's operations is attached.

Yours truly,
R.O. Beatty,
General Manager.

REVIEW OF OPERATIONS

RAIL SERVICES

Following the Mississauga railway accident, Ontario Northland Rail Services actively participated in the Canadian Transport Commission "Show Cause Hearings" by way of a presentation of written and oral evidence to the Commission by a senior rail officer.

The Canadian Transport Commission, following its deliberations, ordered all rail carriers to take specific action with regard to the handling of dangerous commodities. As a result of the recommendations, Ontario Northland installed two additional hot box detectors to make a total of ten and will be taking steps to install two more detectors in 1982, thereby affording increased protection over all subdivisions.

The Mechanical Division is continuing the established practice of rebuilding older diesel units in the fleet and, in addition, refurbished and reconditioned two conventional passenger coaches for main line service. Continuing the program of providing Maintenance of Way employees with improved living quarters, three "gang" boarding cars were renovated.

In pursuing plans to obtain maximum utilization of our facilities and manpower in North Bay shops, contract work for "GO Transit" undertaken in the year 1981 consisted of painting 11 "GO Transit" locomotives, construction of two auxiliary power control units (APCU) and the rebuilding of 16 locomotive trucks.

Negotiations are now under way to obtain additional mechanical undertakings with "GO Transit" if mutually satisfactory terms can be arranged.

During 1981, the Maintenance of Way Department installed 15 miles of new rail, 8 miles of which were continuous-welded; in addition, 3 miles of secondhand rail was installed on the Island Falls Subdivision and some 50,000 track ties were renewed over the system.

A program of rock ballasting on the Island Falls Subdivision between Cochrane and Fraserdale was initiated during the year and the balance of this project will be staged over the next four years.

The continuing program of upgrading facilities for our Maintenance of Way forces resulted in the construction of a new, modern-style bunkhouse at Mileage 43 on the Island Falls Subdivision. This facility allowed for the consolidation of several adjoining track maintenance gangs and replaced buildings previously occupied which dated from the early years of construction on the subdivision.

In line with our practice to enhance protection at public road crossings, three additional flashing light protection installations were located on the main track.

During 1981, as in previous years, the Transportation Department continued their efforts to improve train operation efficiency; this was accomplished by the

consolidation of trains to ensure maximum tonnage handling and full utilization of the locomotive fleet.

1981 was the first full year of operation for the modified Northlander North American locomotives, and the cost savings in locomotive maintenance and reduced operating costs experienced in 1980 were continued throughout the year.

The computerized car accounting system operated effectively during the year and also resulted in improved utilization of our car fleet.

TELECOMMUNICATIONS

Regular long distance telephone calling continues to represent the greater part of the Telecommunications Division business. The number of messages handled in 1981 in Ontario Northland territory increased by approximately 8.5% over the year 1980. Growth in other areas such as "Watts" and circuit leases, particularly in computer-related data services, continues to make significant contributions to the overall earnings of the division.

Efforts are continuing to expand and upgrade the facilities to meet the demand for greater and more sophisticated services. Included in such upgrades were major changes to government agencies and pipeline companies' radio systems. In 1982, plans will be implemented to upgrade services in the Temagami Lakes area as well as expanding services to the Detour Lake gold mine project. In the coming year, groundwork will be completed for the installation of the new digital toll switcher to be installed in Timmins in early 1983. This equipment will be an extension of the existing equipment and will allow handling of increased growth and service requirements for telecommunication customers.

While optimism is exhibited in our ability to perform well in the future, there is an acute awareness of the changes and associated challenges that face the telecommunications industry in general in forthcoming years. It is recognized that this division must continue to expand and improve traditional services and one must not lose sight of the fact that new sources of business must be pursued. Long-term planning and advances in technology have placed the division in a favourable position to continue to be innovative and aggressive in a rapidly-changing industry.

PERSONNEL AND LABOUR RELATIONS

During the course of the year a revised employee assistance program was developed with the co-operation of the Addiction Research Foundation. The program embodies the commitment and active participation of union representatives and in addition to placing increased emphasis on the importance of early intervention in employee alcoholism and other dependencies, it offers assistance to employees who need help with other

personal problems as well. A comprehensive orientation and training session makes the plan a viable and workable administrative achievement.

A new supervisory training plan was implemented late in the year, stressing the value of a co-operative approach to problem solving. All supervisors will be introduced to the long-term program by early 1982. French language training is now in place for a group of employees who interface with the public.

EXPRESS SERVICES

Express Services revenues increased by 9.95% over the previous years, however, increased operating expenses resulted in a slightly lower loss position than in 1980.

In an effort to improve the financial position of this division, changes have been introduced in the handling of highway transportation and a consolidation of the Kirkland Lake and New Liskeard terminals will be implemented in June of 1982. It is comtemplated that the actions taken should result in an improved financial position by mid-1983.

AIR & MARINE SERVICES

norOntair

In common with most North American airlines, norOntair experienced a below average performance in 1981. Revenue was up by approximately 12%, however, passenger ridership was down by 5%. This result reflects the slow pace of the economy as well as the impact of increased fares, which in turn reflect rapidly-increasing operating costs.

During the year, norOntair marked its 10th anniversary and a number of public information activities were carried out to commemorate the event.

Owen Sound Transportation Company

The 1981 operating season of the M.S. Chi-Cheemaun was seriously marred by an unfortunate grounding incident which occurred in late June. This incident led to the requirement for a dry-dock inspection and as a consequence, 95 scheduled trips over an 11-day period in the peak season had to be cancelled. Making allowance for traffic loss in the order of 10,000 vehicles as a result of the mishap, demand grew by 2% during the year. Traffic growth has been restricted during the peak season by lack of capacity, however, the M.S. Chi-Cheemaun has undergone a major retrofit and enters the 1982 season with a 20% increase in capacity due to the installation of two additional overhead retractable mezzanine decks. These alterations should do a great deal to resolve the capacity problem during peak season as well as improve the overall financial results and the level of public service offered.

Chief Commanda II

General revenue expectations for the 1981 season were not met, however, the results did indicate an improvement in

ridership due to general tourism traffic. On the other hand, ridership as a result of the use of the vessel for charters was down substantially, apparently due to a recession in the local economy.

A major thrust was begun during the 1980 season to revitalize the marketing aspects of the Chief Commanda II service. A new slogan "Come, Sail a Legend" was introduced and appears to have been well received. It is anticipated that this marketing effort will have a positive effect on the growth of traffic in spite of the economic downturn.

Moosonee Ferry Service

The M.V. Manitou Island II completed its 5th year of service as a vehicle ferry between the communities of Moosonee and Moose Factory. Vehicular traffic during the year was up somewhat from 1980, however, passenger traffic was substantially down due to the introduction by private interests of new passenger-carrying vessels.

PASSENGER SERVICES, TOURISM AND PUBLIC AFFAIRS

The Polar Bear Express Excursion had a minor decline in traffic, as did the regular tri-weekly Moosonee service and the conventional overnight train operating between Toronto and Cochrane.

The Northlander, however, enjoyed a 4% increase in revenue passengers, attributed to the package tours originating in Toronto, North Bay and Timmins. These package tours incorporate the Northlander, Chief Commanda II, Bus and Polar Bear Express, and are growing in popularity each year.

Despite significant increases in aircraft and fuel costs, the Hannah Bay Goose Camp attained a profit increase over the previous year. Due to an above average bird hatch, the 147 guests enjoyed a hunters success rate of 93%.

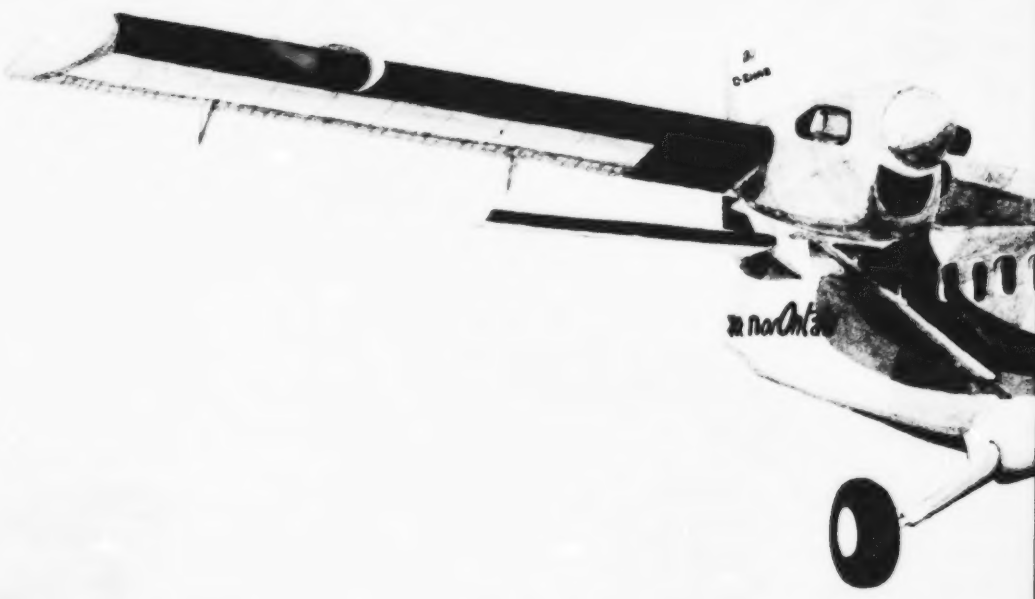
Bus Operations

Total miles operated for the year were down by 7% as a result of decreased tour operations and efficiencies implemented on regular traffic routes.

Passenger traffic increased by less than 1% over the preceding year, and despite growing competition from other parcel carriers, Bus Parcel Express shipments increased by 2%, resulting in an overall gross revenue increase.

Six new 47-passenger-carrying buses were received in November and a similar number of older units were retired; at the same time, three 24-passenger-carrying Sleeper buses were removed from service and replaced with new 47-passenger-carrying coaches. This substitution enabled the division to reduce the complement of equipment from 21 to 18 units and a consequent reduction in future capital expenditures will result.

Ten Years Later



In October of 1971, norOntair began serving four communities in northern Ontario with a single Twin Otter aircraft. Today there are nine Otters serving twenty-one communities.

norOntair flies more than 100,000 passengers annually throughout northern Ontario. Through integrated scheduling with Air Canada and Nordair, connecting flights are made with a minimum delay.

In addition to regular air freight, norOntair offers more services to its customers than any other courier in northern Ontario. These include norPac, Airvelop and Couriair.

Government subsidies to norOntair have steadily

norOntair is Flying High

declined as almost 80% of the cost of service is paid for by the user.

norOntair offers a variety of money saving fares including Northern Skysaver Discounts of up to 48%, family fares, special rates for children and low cost fares for senior citizens.

Further expansion of the system is presently under way, which will feature the introduction of the de Havilland of Canada DASH-8 aircraft in 1984. norOntair will become a first customer for this 36 seat, energy efficient, pressurized aircraft. As the pace of economic and social activity increases, norOntair prepares to provide expanded and improved service for the people of northern Ontario.

Ontario Northland Transportation Commission

Consolidated Balance Sheet

as at December 31, 1981

Assets	1981 $	1980 $
Current Assets		
Cash and short term investments	**17,068,082**	9,853,396
Marketable securities at lower of cost and market	**272,830**	324,525
Accounts receivable	**15,286,844**	10,929,909
Materials and supplies (note 1b)	**4,412,327**	3,934,496
Prepaid expenses (note 1f)	**122,692**	121,647
	37,162,775	25,163,973
Long Term Investments - at cost		
Government Bonds (Market value $7,161,000, 1980 - $3,800,000)	**7,609,379**	4,052,974
Other Assets - at cost		
Insurance and other funds (Market value $574,900 1980 - $470,000) (note 1e)	**669,316**	520,626
Bus Franchises	**297,679**	297,679
Investment in Telesat Canada	**150,000**	150,000
	1,116,995	968,305
Investment in Property - at cost less accumulated depreciation (Schedule 1 and note 1c)	**135,083,504**	130,253,131
	180,972,653	160,438,383

See accompanying schedules and notes to financial statements

Approved on behalf of the Commission

J. W. Spooner, Commissioner

R. O. Beatty, General Manager

Liabilities and Equity	1981 $	1980 $
Current Liabilities		
Accounts payable and accrued charges	21,418,233	18,286,219
Reserves		
Insurance and other funds	669,316	520,626
Long Term Debt		
Note due 2003 (note 6)	37,500,000	37,500,000
Loan from Province of Ontario non-interest bearing	35,207,935	35,207,935
Debenture (note 5)	1,937,500	2,062,500
Obligation under capital lease (note 4)	524,990	658,321
	75,170,425	75,428,756
Province of Ontario Equity		
Contributed surplus	15,482,503	13,922,319
Retained income	68,232,176	52,280,463
	83,714,679	66,202,782
	180,972,653	160,438,383

AUDITOR'S REPORT

To the Ontario Northland Transportation Commission and to the Minister of Northern Affairs.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1981 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting described in Note 1, applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Affairs.

Toronto, Ontario,
April 2, 1982.

D.F. Archer, F.C.A.
Provincial Auditor.

Ontario Northland Transportation Commission

Consolidated Statement of Income

for the year ended December 31, 1981

	1981 $	1980 $
Operating Revenues		
- Commercial (Schedule 3)	79,376,367	67,028,577
- Non Commercial (Schedule 4)	12,690,782	11,784,040
Total Operating Revenues	92,067,149	78,812,617
Operating Expenditures		
- Commercial (Schedule 3)	65,008,929	56,942,699
- Non Commercial (Schedule 4)	29,061,087	27,047,470
Total Operating Expenditures	94,070,016	83,990,169
LOSS ON OPERATIONS	2,002,867	5,177,552
Government Reimbursement (Schedule 2)	19,119,455	16,801,430
	17,116,588	11,623,878
Interest Income (Expense)		
Interest on Debenture and Note	(3,580,546)	(3,665,446)
Interest Earned on Investments	2,467,366	1,356,116
Net Interest	(1,113,180)	(2,309,330)
	16,003,408	9,314,548
Reduction of Marketable Securities to Market Value	(51,695)	(28,175)
Net Income before extraordinary item	15,951,713	9,286,373
Write-off of Franchises (note 2)	—	(656,754)
NET INCOME FOR THE YEAR	15,951,713	8,629,619

Consolidated Statement of Contributed Surplus

for the year ended December 31, 1981

	1981 $	1980 $
Balance, beginning of year	13,922,319	13,747,356
Add: — nor Ontair aircraft and associated equipment	1,518,069	1,120,946
— Capital expenditures of The Owen Sound Transportation Company, Limited	1,281,735	41,029
	16,722,123	14,909,331
Less: depreciation charges for the year	1,239,620	987,012
Balance, end of year	15,482,503	13,922,319

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1981

	1981 $	1980 $
Source of working capital		
Net income for the year before extraordinary item	**15,951,713**	9,286,373
Add items not requiring an outlay of working capital		
- depreciation expense	**5,919,988**	4,692,052
- other items (net)	**(27,405)**	7,026
Working capital provided from operations	**21,844,296**	13,985,451
Proceeds on disposal of property	**718,452**	548,803
Reimbursement of capital expenditures by Province of Ontario	**2,799,804**	1,161,975
	25,362,552	15,696,229
Use of working capital		
Addition to investment in property	**12,708,433**	12,602,551
Purchase of bonds	**3,529,000**	4,060,000
Reduction of debenture	**125,000**	125,000
Reduction of obligation under capital lease	**133,331**	113,165
	16,495,764	16,900,716
Increase (decrease) in working capital	**8,866,788**	(1,204,487)
Working capital, beginning of year	**6,877,754**	8,082,241
Working capital, end of year	**15,744,542**	6,877,754
CHANGES IN WORKING CAPITAL		
Current assets - increase (decrease)		
Cash	**7,214,686**	723,599
Marketable securities	**(51,695)**	(28,175)
Accounts receivable	**4,356,935**	1,017,304
Materials and supplies	**477,831**	605,539
Prepaid expenses	**1,045**	(7,700)
	11,998,802	2,310,567
Current liabilities - (increase)		
Accounts payable and accrued charges	**(3,132,014)**	(3,515,054)
Increase (decrease) in working capital	**8,866,788**	(1,204,487)

Consolidated Statement of Retained Income

for the year ended December 31, 1981

	1981 $	1980 $
Balance, beginning of year	**52,280,463**	43,650,844
Add net income for the year	**15,951,713**	8,629,619
Balance, end of year	**68,232,176**	52,280,463

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Investment in Property

Schedule 1

as at December 31, 1981

	1981	1980
	$	$
Rail — Roadway	**83,184,650**	79,517,287
— Buildings	**13,915,904**	13,595,000
— Equipment	**31,987,531**	32,089,017
Telecommunications	**41,897,941**	39,605,573
Buses	**2,342,689**	1,834,255
Boat	**927,413**	927,413
norOntair aircraft	**7,826,741**	6,314,295
Remote North power and communications	**210,889**	210,889
Star Transfer Limited		
— vehicles	**3,947,693**	4,065,365
— other	**5,050,905**	5,044,702
The Owen Sound Transportation Company, Limited		
— vessel	**9,515,420**	8,269,820
— other	**208,871**	172,735
Gross investment in property	**201,016,647**	191,646,351
Less accumulated depreciation	**68,986,300**	64,459,776
Net investment in property	**132,030,347**	127,186,575
Under construction	**3,053,157**	3,066,556
	135,083,504	130,253,131

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Government Reimbursement

Schedule 2

for the year ended December 31, 1981

	1981 $	1980 $
From Province of Ontario		
Cochrane - Moosonee branch line	**6,489,200**	5,568,741
Main line passenger train	**5,241,400**	4,610,043
Northlander	**4,353,714**	4,020,513
Northlander locomotives modification	**—**	829,579
Remote North power and communications	**272,540**	258,358
Air services - norOntair (note 9)	**1,344,227**	1,425,128
Moosonee ferry	**65,490**	91,236
	17,766,571	16,803,598
The Owen Sound Transportation Company, Limited (profit) loss	**149,760**	(333,579)
Total Provincial reimbursement	**17,916,331**	16,470,019
From Government of Canada (note 1g)		
Rail passenger — prior years	**1,203,124**	—
Northlander - 1980	**—**	331,411
Total Federal reimbursement	**1,203,124**	331,411
Total Government reimbursement	**19,119,455**	16,801,430

See accompanying schedules and notes to financial statements.

Ontario Northland Transportation Commission

Schedule of Commercial Operations

Schedule 3

for the year ended December 31, 1981

	1981 $	1980 $
Rail Freight Services		
Revenue	**41,572,076**	35,365,220
Expenditures	**33,372,423**	29,265,312
Income from Operations	**8,199,653**	6,099,908
Express Services		
Revenue	**1,307,757**	1,184,616
Expenditures	**1,686,515**	1,583,778
Loss from Operations	**(378,758)**	(399,162)
Telecommunications (notes 1c and 1h)		
Revenue	**23,973,306**	19,388,235
Expenditures	**17,262,706**	14,300,502
Income from Operations	**6,710,600**	5,087,733
Bus Services		
Revenue	**3,407,883**	3,161,279
Expenditures	**3,215,132**	3,353,339
Income (loss) from Operations	**192,751**	(192,060)
Transport Services		
Revenue	**8,813,873**	7,616,486
Expenditures	**9,094,280**	8,040,707
Loss from Operations	**(280,407)**	(424,221)
Marine Services (North Bay)		
Revenue	**184,094**	203,623
Expenditures	**284,476**	310,989
Loss from Operations	**(100,382)**	(107,366)
Tourist Facilities (Hannah Bay)		
Revenue	**117,378**	109,118
Expenditures	**93,397**	88,072
Income from operations	**23,981**	21,046
Total Commercial Operations		
Operating Revenues	**79,376,367**	67,028,577
Operating Expenditures	**65,008,929**	56,942,699
Income from Operations	**14,367,438**	10,085,878

Ontario Northland Transportation Commission

Schedule of Non-Commercial Operations

Schedule 4

for the year ended December 31, 1981

	1981 $	1980 $
Rail Passenger Services		
Revenue	4,988,739	4,503,309
Expenditures	19,527,027	18,325,596
Loss from Operations	(14,538,288)	(13,822,287)
Government Reimbursement	17,287,438	15,360,287
Net Gain from Operations (note 8)	2,749,150	(1,538,000)
Air Services (norOntair)		
Revenue	4,424,771	3,947,286
Expenditures (note 9)	5,768,998	5,372,414
Loss from Operations	(1,344,227)	(1,425,128)
Government Reimbursement	1,344,227	1,425,128
	—	—
Marine Services (Owen Sound)		
Revenue	3,117,916	3,190,502
Expenditures	3,267,676	2,856,923
Income (loss) from Operations	(149,760)	333,579
(Returned to) or reimbursed by Province of Ontario	149,760	(333,579)
	—	—
Marine Services (Moosonee)		
Revenue	30,166	35,660
Expenditures	95,656	126,896
Loss from Operations	(65,490)	(91,236)
Government Reimbursement	65,490	91,236
	—	—
Remote North Communications		
Revenue	14,284	10,311
Expenditures	230,973	227,109
Loss from Operations	(216,689)	(216,798)
Government Reimbursement	216,689	216,798
	—	—
Remote North Power		
Revenue	114,906	96,972
Expenditures	170,757	138,532
Loss from Operations	(55,851)	(41,560)
Government Reimbursement	55,851	41,560
	—	—
Total Non-Commercial Operations		
Operating Revenues	12,690,782	11,784,040
Operating Expenditures	29,061,087	27,047,470
Loss from Operations	(16,370,305)	(15,263,430)
Government Reimbursement	19,119,455	16,801,430

See accompanying schedules and notes to financial statements.

Notes to Consolidated Financial Statements

December 31, 1981

1. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Commission and its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and Supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost with the exception of office furniture and equipment, which is charged to operations in the year of purchase.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of highway equipment which is depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

Effective January 1, 1981, the depreciation rate for telecommunications equipment has been increased to 6.67 per cent from 3.33 per cent. This had the effect of increasing the 1981 depreciation charge to Telecommunications operations by $1,135,632, Railway operations by $1,752 and to Contributed Surplus for the Moosonee-Attawapiskat Microwave System by $101,196.

The estimated service lives used for principal categories of assets are as follows:

Road - main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway freight cars	33 years
Vessel	33 years
Aircraft	10 years
Barges	20 years

Three aircraft and the vessel M.S. Chi-Cheemaun, originally acquired and owned by the Ontario Ministry of Transportation and Communications were transferred to the Commission and The Owen Sound Transportation Company, Limited, respectively during 1975. Accordingly, these fixed assets have been recorded at their original cost as incurred by the Ministry together with offsetting credits to Contributed Surplus. Additionally, reimbursements by the Province of Ontario of the costs of certain fixed assets initially purchased by the Commission and The Owen Sound Transportation Company, Limited, are credited to Contributed Surplus. Annual depreciation charges on these fixed assets, including the aircraft and the vessel, are recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no provision is reflected in operations.

(e) Self-insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage.

(f) Personal injuries

The Commission pays for injuries to its employees on a cash basis as accounts are received from the Workmen's Compensation Board. A deposit of $50,000 (1980 - $20,000) is held by the Workmen's Compensation Board of Ontario for this purpose. No provision is made for future ongoing liabilities.

(g) Federal reimbursement

Federal Government reimbursement is accounted for on the cash basis. Effective April 1, 1980, reimbursement is made directly to the Ministry of Northern Affairs.

(h) Telecommunications revenue

Toll adjustments are accounted for on a cash basis. During 1981 the Commission received $204,232 from connecting telephone companies for toll adjustments for the years 1977 to 1980, inclusive based on a prorate study.

In 1980 the Commission paid $724,016 to connecting telephone companies for toll adjustments for the years 1974 to 1979 inclusive.

2. Write-off of Franchises

Franchises written off consist of:

	1980
	$
Truck Franchise - acquired 1967	187,760
Transport Franchise - acquired 1960	254,356
Marine Franchise - acquired 1973	214,638
	656,754

3. Contributory Pension Fund

Based on the December 31, 1980 actuarial review, the unfunded liability of the Commission and its wholly-owned subsidiaries under the Commission's Contributory Pension Fund totals $27,207,157. Of this amount $19,443,107 represents the initial unfunded liability as of January 1, 1965; the balance of $7,764,050 represents the balance of unfunded liability revealed as at December 31, 1978.

The Commission and its subsidiaries are making payments of interest and principal into the fund in accordance with the Regulations under the Pension Benefits Act. These payments have the effect of:

— preventing an increase in the initial unfunded liability;

— liquidating the balance of the unfunded liability over a period ending December 31, 1993.

Payments in respect of the 1980 actuarial review commenced in 1981.

4. Lease Commitments

Under the terms of a lease agreement dated October 1, 1976, the Commission is committed to lease four Trans Europ Express-1 diesel-electric trainsets and major exchange spare components from the Urban Transportation Development Corporation Limited (UTDC). The agreement provides for a net, net lease between the Commission and UTDC for a term of sixty-three months commencing May 4, 1977. Rent paid during the current year was $1,000,000. This represented the final lease payment to UTDC. In accordance with the terms of the lease agreement, the Commission has agreed to purchase in 1982 the four trainsets for $400,000.

The Commission's subsidiary, Star Transfer Limited, acquired trailers costing $1,113,138 under a twelve month renewable capital lease agreement effective January 1, 1978 and extending to January 31, 1985. Henceforth, during the term of the lease the Company may purchase the assets at any time or may, with 90 days prior notice, terminate the lease at any renewal date.

5. Debenture

This debenture represents partial financing for the construction of the new Toronto Terminal of Star Transfer Limited, and is secured by a first mortgage on the property and buildings thereof and the general credit of the Ontario Northland Transportation Commission. The outstanding amount of the debenture is redeemable by semiannual instalments of $62,500 payable through December 30, 1982 and a final instalment of $1,937,500 payable December 31, 1983. Interest is payable on the unredeemed balance at the rate of 10 per cent per annum payable semiannually.

6. Long Term Debt

The Treasurer of Ontario holds a 25 year, 9.325 per cent note for $37,500,000 due 2003. Terms of the note require interest to be paid semiannually with annual principal repayments to commence January 5, 1985 at 5.25 per cent of the original principal amount of the note.

The Commission is authorized to borrow up to $1,000,000 from chartered banks for working capital requirements provided such loans are not guaranteed by the Province of Ontario.

7. Contingent Liabilities

The wholly-owned subsidiary, Star Transfer Limited, is the defendant in a lawsuit for alleged Breach of Contract. The amount claimed totals approximately $1,300,000. Management is not able to determine the amount of loss, if any, and no provision has been made in the accounts for any possible loss.

8. Net Gain From Non-Commercial Rail Operations

The net gain on operations of $2,749,150 (1980 - $1,538,000) represents:

(a) A return on investment of 9.325 per cent ($1,546,026; 1980 - $1,538,000) on the Commission's assets employed in providing rail passenger service. This is in accordance with the Memorandum of Understanding dated October 9, 1980 between the Commission and the Ministry of Northern Affairs.

(b) A government of Canada final reimbursement of $1,203,124 for prior years operating losses of the Swastika-Noranda passenger service not reimbursed by the Province of Ontario. This service was discontinued in October 1979.

9. Change in Accounting Policy: norOntair Overhaul Reserves

In 1981 the Commission discontinued its policy of providing a reserve for airframe and engine overhauls. This change in policy was not applied retroactively and had the effect of reducing both the current years operating expenditures, loss and Provincial reimbursement by $682,900. In future, the cost of norOntair airframe and engine overhauls will be expensed in the year they are incurred.

10. Star Transfer Limited

Based on a recommendation by the Board of Directors, the Ministry of Northern Affairs has approved the disposal of the Company. The Board of Directors intends to call for public tenders.

11. Comparative Figures

Prior year figures have been reclassified where necessary to conform to the current year's presentation.

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